

**OVERSIGHT BOARD OF THE FORMER
COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF COMPTON**

STAFF REPORT

DATE: NOVEMBER 7, 2012

TO: THE HONORABLE CHAIR AND BOARD MEMBERS

FROM: EXECUTIVE DIRECTOR

**SUBJECT: APPROVAL AND TRANSMITTAL OF THE DUE DILIGENCE REVIEW
FOR THE LOW AND MODERATE INCOME HOUSING FUND IN
ACCORDANCE WITH HEALTH AND SAFETY CODE SECTION 34179.5**

Summary

Staff is respectfully requesting that the Oversight Board adopt the attached resolution approving the Due Diligence Review of the Low and Moderate Income Housing fund; authorize the Successor Agency to retain assets and funds, in the amount of \$19,778,258 legally “restricted assets” and \$1,732,000 to be retained due to “insufficient future revenues” and remit \$9,487,736 to the County for disbursement to taxing entities as referenced in the DDR and direct Successor Agency staff to transmit to the State Department of Finance (DOF) and the LA County Auditor-Controller.

Discussion

Pursuant to Health and Safety Code Section 34179.5, each successor agency must employ a licensed accountant, approved by the county auditor-controller and with experience and expertise in local government accounting, to conduct a due diligence review to determine the unobligated balances available for transfer to taxing entities.

The Successor Agency has engaged the Certified Public Accountants firm of Eadie & Payne, LLP to conduct the Due Diligence Review. Each Oversight Board must convene a public comment session receive comments on the Due Diligence at least five (5) business days before the Oversight Board can approve the Due Diligence report. In accordance with Section 34179, the Compton Oversight Board held the required public comment session regarding the Due Diligence Review on Wednesday October 31, 2012.

The Due Diligence review must determine the net balance of the Low and Moderate Income Housing Fund (the “LMIHF”) and specifically the amount of cash and cash equivalents determined to be available for allocation to taxing entities as of June 30, 2012 (the “Due Diligence Review”). In summary, such amount is determined by determining the total value of assets and cash and cash equivalents in the LMIHF and

subtracting the following Restricted Assets: (1) restricted funds, (2) assets that are not cash or cash equivalents, (3) amounts that are legally or contractually dedicated or restricted for the funding of an enforceable obligation, and (4) amounts that are needed to satisfy obligations that will be put on the Recognized Obligation Payment Schedule (“ROPS”) for the current fiscal year. Also, the amount determined to be available for allocation to taxing entities includes the value of assets, cash and cash equivalents transferred after January 1, 2011 through June 30, 2012 by the former redevelopment agency or the successor agency to the city, another public agency or private person if an enforceable obligation to make that transfer did not exist.

The Due Diligence Review will also document the Restricted Assets and provides the respective amounts, sources and purposes for which the Restricted Assets should be retained from the Low-Moderate Housing fund. To that extent the Oversight Board also must consider any opinions if offered by the county auditor-controller on the review results submitted by the successor agency.

Statement of the Issue

Health and Safety Code Section 34179.6 requires each successor agency to submit the Due Diligence Review to the oversight board for the oversight board’s review and approval. Additionally, Section 34179.6 empowers the oversight board to authorize the Successor Agency to retain the Restricted Assets identified in the Due Diligence Review.

On October 25, 2012, the Successor Agency notified the DOF and Auditor-Controller of submission of the draft DDR for public comment on October 31, 2012 and final approval on November 7, 2012.

The oversight board must review, approve, and direct Successor Agency staff to transmit the Due Diligence Review to the state department of finance (“DOF”) and the county auditor-controller. The oversight board may adjust any amount provided in the review to reflect additional information and analysis. The review and approval must occur in public sessions. The oversight board may request from the successor agency any materials it deems necessary to assist in its review and approval of the determination.

The DOF must complete its review of the Due Diligence Review no later than November 9, 2012, and must notify the oversight board and the successor agency of its decision to overturn any decision of the oversight board to authorize a successor agency to retain Restricted Assets. The DOF must provide the oversight board and the successor agency an explanation of its basis for overturning or modifying any findings, determinations, or authorizations of the oversight board. The successor agency then has the option to meet and confer with DOF to discuss any modifications.

By December 1, 2012, the county auditor-controller must provide DOF a report specifying the amount submitted by each successor agency from the LMIHF, and specifically noting any successor agency that failed to remit the full required amount.

Section 34179.5 also requires a similar review of all other funds and accounts held by the successor agency to determine unobligated balances available for transfer to taxing entities. The review for all other funds and accounts must be completed by December 15, 2012 and the county auditor-controller has an April 20, 2013 deadline to provide DOF the report specifying the amount submitted by each successor agency from all other funds and accounts, and specifically noting any successor agency that failed to remit the full required amount.

Analysis

Upon full payment of the amounts determined in the Due Diligence Review and the subsequent review conducted for all other funds and accounts, payment of the “surplus” tax revenues due on July 12, 2012, and any unpaid or underpaid pass through payments owed for fiscal year 2011-12, DOF will issue to the successor agency, within five (5) business days, a finding of completion of the requirements of Section 34179.6.

Recommendation

Staff respectfully recommends that the Oversight Board adopt the attached resolution authorizing the following actions:

- 1.) Approving the Due Diligence Review for the Low and Moderate Income Housing Fund pursuant to Health and Safety Code Section 34179.5, subject to any adjustments made by the accounting firm of Eadie & Payne, LLP
- 2.) Authorizing the Successor Agency to retain the assets and funds, if any, identified in subparagraphs (B) to (E), inclusive, of paragraph (5) of subdivision(c) of Section 34179.5, as documented in the Due Diligence Review (the “Restricted Assets”)
- 3.) Authorizing the transmittal of the Due Diligence Review to the Department of Finance and the LA County Auditor-Controller.

Respectfully Submitted,

Approved to Form:

**BARRY SCHULTZ
OVERSIGHT BOARD COUNSEL**

**G. HAROLD DUFFEY
EXECUTIVE DIRECTOR**

**DR. KOFI SEFA-BOAKYE
DIRECTOR**

GHD:KSB:MLA

RESOLUTION NO. _____

A RESOLUTION OF THE OVERSIGHT BOARD TO THE SUCCESSOR AGENCY TO THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON FOR APPROVAL AND TRANSMITTAL OF THE DUE DILIGENCE REVIEW FOR THE LOW AND MODERATE INCOME HOUSING FUND IN ACCORDANCE WITH HEALTH AND SAFETY CODE SECTION 34179.5

WHEREAS, Pursuant to Health and Safety Code Section 34175(b) and the California Supreme Court's decision in *California Redevelopment Association, et al. v. Ana Matosantos, et al.* (53 Cal.4th 231(2011)), on February 1, 2012, all assets, properties, contracts, leases, books and records, buildings, and equipment of the former Community Redevelopment Agency of the City of Compton transferred to the control of the Successor Agency to the Community Redevelopment Agency (the "Successor Agency") by operation of law; and

WHEREAS, Health and Safety Code Section 34179.5 requires the Successor Agency to employ a licensed accountant, approved by the county auditor-controller, to conduct a due diligence review to determine the unobligated balances available for transfer to taxing entities; and

WHEREAS, Health and Safety Code Section 34179.6 requires the Successor Agency to submit the results of the review conducted pursuant to Section 34179.5 for the Low and Moderate Income Housing Fund (the "LMIHF") and specifically the amount of cash and cash equivalents determined to be available for allocation to taxing entities (the "Due Diligence Review") to the Successor Agency's Oversight Board (the "Oversight Board") for the Oversight Board's review and approval; and

WHEREAS, Pursuant to Health and Safety Code Section 34179.6(b), upon receipt of the Due Diligence Review, and at least five business days before the Oversight Board considers the approval of the Due Diligence Review, the Oversight Board must hold a public comment session (the "Public Comment Session") at which time the public has an opportunity to hear and be heard on the results of the Due Diligence Review and at which time the Oversight Board considers the opinions, if any, offered by the county auditor-controller on the results of the Due Diligence Review; and

WHEREAS, the Oversight Board may adjust any amount provided in the review to reflect additional information and analysis. The review and approval must occur in public sessions. The oversight board may request from the successor agency any materials it deems necessary to assist in its review and approval of the determination; and

WHEREAS, on October 31, 2012, the Oversight Board convened a Public Comment Session on the Due Diligence Review pursuant to Health and Safety Code Section 34179.6(b); and

WHEREAS, on November 7, 2012, the date of this resolution, the Oversight Board held a duly noticed public hearing to consider further public comments and to review and approve the Due Diligence Review and authorize the Successor Agency to transmit the Due Diligence Review to the county administrative officer, the county auditor-controller, the State Controller and the Department of Finance ("DOF"), pursuant to Health and Safety Code Sections 34179.6 and 34180(j); and

WHEREAS, the DOF must complete its review of the Due Diligence Review no later than November 9, 2012, and must notify the oversight board and the successor agency of its decision to overturn any decision of the Oversight Board to authorize a Successor Agency to retain Restricted Assets. The DOF must provide the Oversight Board and the Successor Agency an explanation of its basis for overturning or modifying any findings, determinations, or authorizations of the Oversight Board. The Successor Agency then has the option to meet and confer with DOF to discuss any modifications; and

WHEREAS, by December 1, 2012, the county auditor-controller must provide DOF a report specifying the amount submitted by each successor agency from the LMIHF, and specifically noting any successor agency that failed to remit the full required amount.

NOW, THEREFORE, THE OVERSIGHT BOARD TO THE SUCCESSOR AGENCY TO THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON, HEREBY FINDS, DETERMINES, RESOLVE, AND ORDERS AS FOLLOWS:

Section 1. That the above recitals are hereby true and correct and are a substantive part of this resolution.

Section 2. That The Oversight Board hereby approves the Due Diligence Review of the Low and Moderate Income Housing Fund, attached as Attachment A to the Staff Report.

Section 3. That the Oversight Board authorizes the Successor Agency to retain assets and funds, in the amount of \$19,778,258 legally “restricted assets” and \$1,732,000 to be retained due to “insufficient future revenues” and remit \$9,487,736 to the County for disbursement to taxing entities as referenced in the Due Diligence Review.

Section 4. Approval of this resolution will have no impact on the City of Compton’s General Fund.

Section 5 That the officers and staff of the Oversight Board and the Successor Agency staff are hereby authorized and directed, jointly and severally, to do any and all things necessary to effectuate this resolution, including requesting additional review by the DOF and an opportunity to meet and confer on any disputed items, and any such actions previously taken by such officers and staff are hereby ratified and confirmed.

Section 6. That a certified copy of this resolution shall be filed in the offices of the Executive Director and the Successor Agency.

ADOPTED this ____ day of _____, 2012.

**CHAIRPERSON OF THE OVERSIGHT BOARD
TO THE SUCCESSOR AGENCY TO THE
COMMUNITY REDEVELOPMENT
AGENCY OF THE CITY OF COMPTON**

APPROVED TO FORM:

**BARRY J. SCHULTZ
OVERSIGHT BOARD LEGAL COUNSEL**

ATTEST:

**RHONDA RANGEL, DEPUTY CLERK
LOS ANGELES COUNTY BOARD OF SUPERVISORS
ACTING AS SECRETARY TO THE OVERSIGHT
BOARD TO THE SUCCESSOR AGENCY TO THE
COMMUNITY REDEVELOPMENT
AGENCY OF THE CITY OF COMPTON**

STATE OF CALIFORNIA
COUNTY OF LOS ANGELES
CITY OF COMPTON: ss

I, Rhonda Rangel, Secretary to the Oversight Board to the Successor Agency to the Community Redevelopment Agency of the City of Compton, hereby certify that the foregoing resolution was adopted by the Board, signed by the Chairperson, and attested by the Secretary at the regular meeting thereof held on the ____ day of _____, 2012.

That said resolution was adopted by the following vote, to wit:

AYES: BOARD MEMBERS -
NOES: BOARD MEMBERS -
ABSENT: BOARD MEMBERS -

**RHONDA RANGEL, DEPUTY CLERK
LOS ANGELES COUNTY BOARD OF SUPERVISORS
ACTING AS SECRETARY TO THE OVERSIGHT
BOARD TO THE SUCCESSOR AGENCY TO THE
COMMUNITY REDEVELOPMENT
AGENCY OF THE CITY OF COMPTON**